

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
1998 Biennial Regulatory Review-)	CC Docket No. 98-71
Streamlined Contributor Reporting)	
Requirements Associated with)	
Administration of Telecommunications)	
Relay Service, North American Numbering)	
Plan, Local number Portability, and)	
Universal Service Support Mechanisms)	
)	
Telecommunications Services for)	CC Docket No. 90-571
Individuals with Hearing and Speech)	
Disabilities, and the Americans with)	
Disabilities Act of 1990)	
)	
Administration of the North American)	CC Docket No. 92-237
Numbering Plan and North American)	NSD File No. L-00-72
Numbering Plan Cost Recovery Contribution))	
Factor and Fund Size)	
)	
Number Resource Optimization)	CC Docket No. 99-200
)	
Telephone Number Portability)	CC Docket No. 95-116
)	
Truth-in-Billing and Billing Format)	CC Docket No. 98-170

**COMMENTS OF EPHONE TELECOM, INC. TO
FURTHER NOTICE OF PROPOSED RULEMAKING**

ePHONE Telecom, Inc. (“ePHONE”), through the undersigned counsel, hereby submits the following comments in response to the above-captioned Further Notice of Proposed Rulemaking (FNPRM). ePHONE utilizes advanced IP technology, internet transport and traditional terrestrial connections to provide high quality prepaid interstate and international long distance services to consumers and small business customers.

ePHONE believes that the existing revenue-based funding method for the Universal Service Fund (USF) is unduly burdensome for exclusive providers of prepaid services and supports modification of the current assessment system for this class of carriers.

The current revenue-based contribution system requires prepaid service providers to report and contribute to the universal service fund based on revenue generated from the sale of card products at their face value rather than on revenue attributed to actual minutes of use. As a result, prepaid providers are forced to include revenue from products customer never even use. This “breakage” occurs usually when a customer loses a card or when the card expires before the customer places the first call. In addition, customers sometimes fail to utilize all the minutes available on a card before replacing it or simply run out of time to use all of the minutes before the card expires. In either case, the current system forces prepaid providers to report revenue that bears no relationship to the telecommunications services it actually provides to its end users.

ePHONE contends that prepaid carriers should be afforded the same treatment as exclusive providers of post-paid voice services and be required to report only the revenue attributable to completed calls. Thus, ePHONE urges the Commission to modify its reporting requirements for prepaid providers to the extent it retains a revenue-based assessment mechanism for the USF, Telecommunications Relay Fund, the North American Numbering Plan and the Local Number Portability funds.

With regard to the Commission’s proposal to introduce a connection-based assessment methodology for contributions to the USF, ePHONE agrees with the Commission’s initial view that such a system makes little sense for exclusive providers of prepaid calling services. Prepaid calling card carriers give customers the capability to place a certain number of voice calls from a mix of fixed residential or business locations, payphones and wireless phones. What they sell is minutes of use on demand and not lines dedicated to any particular phone number, customer or address. Given this difference in approach, the cost of trying to monitor and report the constantly fluctuating number of voice grade connections active at any one time would be extremely burdensome. Moreover, with the dynamic use of prepaid cards, the amount of churn and the relatively small customer base of prepaid carriers, it is highly unlikely that the total number of connections in use full time during a reporting period would result in anything other than a *de minimis* contribution to the USF.

Thus, ePHONE supports the Commission’s initial view that exclusive providers of prepaid calling services should be exempt from making contributions to the USF in a connection-based system. The Commission should exempt these carriers based upon either the unique characteristics of the prepaid industry or upon some sort of *de minimis* standard.

In conclusion, ePHONE requests that the Commission adopt a revised revenue-based contribution system for exclusive providers of prepaid calling services for those funds that will continue to employ this type of contribution approach and create an exemption for this class of carriers should it decide to implement the proposed connection-based contribution mechanism for the USF.

Respectfully submitted,

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